

## CHAPTER 9

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# FOREIGN SALVAGE VEHICLE DEALERS

### Section 9-1

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#### LICENSING OF DEALERS

**9-1.1 Authorization.** Section 248 of the *Michigan Vehicle Code* (MCL 257.248) requires that foreign salvage vehicle dealers be licensed by the Michigan Department of State. Any person coming into Michigan to buy or sell late model distressed vehicles or major component parts must have a current Michigan license as a Foreign Salvage Vehicle Dealer (Class H). To qualify for this license, Foreign Salvage Vehicle Dealers must also be licensed as a salvage dealer in vehicles or parts in their home state or jurisdiction. The Class H license authorizes the Foreign Salvage Dealer to engage – in the state of Michigan – in wholesale activities only.

*NOTE: Michigan Foreign Salvage dealers may not operate a business in Michigan. Vehicles or vehicle parts purchased in Michigan must be taken to the dealer's home state for dismantling, assigning part numbers, and entry into their dealer records.*

**9-1.2 Violations.** A Michigan foreign salvage vehicle dealer license or salvage vehicle agent license may be suspended or revoked if a dealer is cited for violating the Michigan Vehicle Code. Infractions cited in Michigan may be reported to the agent's home state licensing agency.

**9-1.3 Dealer Classification.** A Class H dealer license authorizes a dealer to buy or sell late model distressed vehicles or major component parts only at wholesale in Michigan. However, a Class H dealer must have a salvage vehicle agent license to buy or sell late model distressed vehicles or late model major component parts at Michigan auctions, brokers, or salvage pools. A salvage vehicle agent license is not necessary when dealing at other dealerships in Michigan, provided the activity is wholesale only.

## Section 9-2

### RECORD KEEPING REQUIREMENTS

**9-2.1 Requirements.** A foreign salvage vehicle dealer must keep and maintain business records daily. These records include the following:

- a) Police Book (refer to Chapter 2, Section 2);
- b) Major Component Parts Record;
- c) Odometer Disclosure Statements (copy of conforming title or other odometer disclosure statement);
- d) Salvage Disclosure Statements.

**9-2.2 Records Inspection.** Michigan dealer records may be inspected by the Michigan Department of State or law enforcement officials.

- a) As a licensed Michigan Foreign Salvage Vehicle Dealer, requested records must be produced within 48 hours at a time and place designated by the Michigan Department of State.
- b) Inspections are required by law. A dealer who fails to maintain records, fails to produce records, or hinders or obstructs an inspection or investigation may have their Michigan Class H Foreign Salvage Dealer license summarily suspended.

## Section 9-3

### SALVAGE AND SCRAP TITLES

**9-3.1 Salvage Titles.** The following factors determine if a vehicle needs or qualifies for a salvage title:

- a) A vehicle must be titled as salvage if it is a late model distressed vehicle with an estimated repair cost from 75% to 91% of its pre-damaged value:
  - 1) Before any owner transfers ownership, transports, or sells it;
  - 2) Within five days of acquiring the vehicle if the buyer is a dealer and the vehicle does not already have a salvage title; or,
  - 3) After payment of a total loss claim if the insurance company permits the owner to retain ownership.
- b) A vehicle must have a Michigan salvage title if brought into Michigan from another state or jurisdiction with a comparable title.

- c) A vehicle must have a salvage title if it is a late model, stolen, recovered vehicle owned by an insurance company licensed to conduct business in Michigan and it has one or more major component parts wrecked, destroyed, damaged and not salvageable, missing, or stolen. This is necessary regardless of the amount of damage or estimated cost of repairs, except a vehicle with damage repairs estimated at or above 91% of its pre-damaged value requires a scrap title.
- d) A vehicle may have a salvage title if any owner decides a salvage title is appropriate. This is regardless of the age of the vehicle and even if repair costs are less than 75% of the pre-damaged value. A late model distressed vehicle with an estimated damage of 91% or more *must* have a scrap title.

**9-3.2 Scrap Titles.** The following factors determine if a vehicle needs or qualifies for a scrap title.

- a) A vehicle must be titled as scrap if it is a late model distressed vehicle with an estimated repair cost of 91% or more of its pre-damaged value:
  - 1) Before any owner transfers ownership or transports the vehicle; or,
  - 2) Within five days of acquiring the vehicle if the buyer is a dealer and the vehicle does not already have a scrap title.
- b) A vehicle must have a Michigan scrap title if brought into Michigan from another state or jurisdiction with a comparable title (e.g., junk, non-repairable, etc.).
- c) A vehicle may have a scrap title if any owner decides a scrap title is appropriate. This is regardless of the age of the vehicle or the estimated cost to repair. Any vehicle that has previously been issued a Michigan scrap title cannot be retitled.

## Section 9-4

### BUYING AND SELLING VEHICLES

**9-4.1 Buying Vehicles in Michigan.** Vehicles or vehicle parts purchased in Michigan by Class H dealers must be taken to their home state for dismantling, assigning parts numbers, and entry into their dealer records. Immediately after acquiring a salvage or scrap vehicle, a dealer must record certain information in the dealer's Police Book. This includes the following:

- a) **Purchase Number.** This is the stock number or inventory control number which a dealer assigns to a vehicle. Purchase numbers must be assigned in sequential order corresponding to the chronological order in which the dealer acquires ownership of vehicles.
- b) **Vehicle Identification.** Enter the year, make, vehicle identification number, and vehicle color.

- c) **Title Information.** Enter the title number in the space provided and show in the Remarks section which kind of title has been received, i.e., whether it is a regular, salvage, or scrap title.
  - 1) If the title is not a Michigan title, the dealer must identify the state which issued the title and list the title number in the dealer's Police Book.
  - 2) Scrap-titled vehicles must eventually be destroyed or dismantled. Parts must be logged into the dealer's Major Component Parts Record.
- d) **Seller Information.** Enter the name and address of the person from whom the dealer purchased the vehicle and the date it was acquired. If the vehicle was purchased through a broker, auction, or salvage pool, the dealer may show the name and address of the broker, auction or pool in the Remarks section. The owner of the vehicle shown on the title is the seller for this purpose.
- e) **Purchaser Information.** When the Foreign Salvage Vehicle Dealer sells the vehicle under a home state license, the name and address of the purchaser of the vehicle and the sale date must be entered in the dealer's Police Book.

*NOTE: Vehicles purchased in Michigan by Class H dealers may not be resold in Michigan unless the vehicle has been taken to the dealer's home state and retitled there.*

**9-4.2 Selling Vehicles in Michigan.** Any vehicle brought into Michigan for sale must be sold at wholesale only. Class H dealers are not authorized to sell vehicles at retail in Michigan. Every salvage vehicle brought into Michigan to be sold at wholesale must be entered in the Police Book at or before the time the vehicle is offered for sale. This entry must be made whether or not the sale is completed. (Scrap vehicles may not be sold by a foreign salvage vehicle dealer in Michigan. They must be dismantled or destroyed.)

- a) **Basic Information.** The information that is required in Chapter 2, Section 2-2 must be recorded in the Police Book.
- b) **Purchaser Information.** When the vehicle is sold in Michigan to another dealer, record the name and address of the purchaser, the date of sale, and the Michigan dealer's license number.
- c) **Major Component Parts Record.** Late model major component parts purchased in Michigan, brought to Michigan for resale, or removed from vehicles acquired in Michigan must be entered in a Major Component Parts Record. Every late model major component part purchased in Michigan or removed from a vehicle purchased in Michigan must be assigned a stock or identification number. This information must be entered in the parts record. The number must be permanently affixed to the part. The parts record entry must contain the following information:
  - 1) Color of the vehicle;
  - 2) Stock or identification number assigned to the part;
  - 3) Police Book entry number (if different from the stock number) and the VIN;

- 4) Name and address of the person from whom the part was acquired and the date of acquisition, if purchased outright.
- d) **Odometer Statements.** Salvage-titled vehicles less than 10 years old are subject to both Michigan and federal odometer laws. Copies of conforming titles showing both incoming and outgoing records of odometer disclosure must be maintained at least five years and be available for Michigan Department of State inspection.
- e) **Disclosure Statements.** The dealer has a legal obligation to disclose to a purchaser that the salvage vehicle was previously a distressed vehicle. This applies to both wholesale and retail sales.
  - 1) If the dealer is transferring a vehicle with a Michigan salvage title to a buyer before any repairs have been made, the dealer is not required to give any other notice or disclosure statement. The salvage title serves this purpose.
  - 2) If a Michigan salvage title has been changed to another kind of title, such as a Michigan “rebuilt” title or “previously issued salvage” title, the dealer must give the buyer a written Salvage Vehicle Disclosure statement (see Appendix A). This statement must be signed by both the dealer and buyer. A copy must be given to the buyer before the sale is completed.

*NOTE: Class H Foreign Salvage Vehicle Dealers may have other requirements placed upon them by their home state. It is the dealer’s responsibility to know and observe these requirements.*

## **Section 9-5**

### **REBUILDING A MICHIGAN SALVAGE VEHICLE**

**9-5.1 Requirements.** Once issued a salvage title, a vehicle cannot be retitled in Michigan until it has been inspected and recertified by a specially trained Michigan police officer. A fee must be paid to the law enforcement agency upon completion of the inspection. The dealer may apply for a Michigan “rebuilt” title from the Michigan Department of State following the inspection and recertification. See Chapter 5 for more information.

**9-5.2 Vehicles Returning to Michigan.** Any vehicle which leaves Michigan with a salvage title and later returns to Michigan for title or registration may require a Michigan recertification inspection and a rebuilt title application. This applies even if it was repaired in another state and retitled there. The vehicle cannot be titled and registered in Michigan until it is inspected and recertified by the appropriate Michigan procedure.

## Section 9-6

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### DISMANTLING A VEHICLE

**9-6.1 Surrendering the Title Document.** When a vehicle is completely dismantled for parts only, the dealer surrenders the vehicle's title to the Michigan Department of State for cancellation.

**9-6.2 Procedures.** Here are the steps for surrendering a title:

- a) Write "JUNK" or "SCRAP" across the face of the title, date and sign the notation, and mail the title to the following address:

Michigan Department of State  
Bureau of Driver and Vehicle Records  
Conversion Unit  
Lansing, Michigan 48918

- b) Complete the entry in the Police Book by indicating that the title was surrendered as "JUNK" or "SCRAP" and the date.

*NOTE: Some Class H Foreign Salvage Vehicle Dealers may be required to surrender the title to the dealer's home state. Simply indicate this in the Police Book along with the date of title surrender.*